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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

SEC FILE NUMBER  
8- 35226

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2004 AND ENDING 12/31/2004  
MM/DD/YY MM/DD/YY

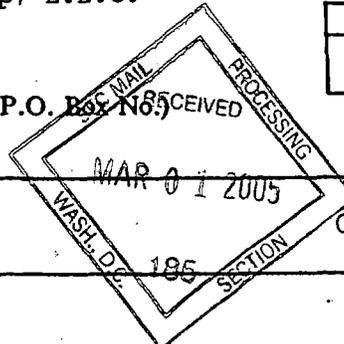
A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: The Concord Equity Group, L.L.C.

OFFICIAL USE ONLY  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

Metro Park South, 100 Matawan Road



Matawan NJ 07747-3912  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Lee Argush 732-335-0800  
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Pirolli, James G.

(Name - if individual, state last, first, middle name)

207 Buck Road, Suite 1C Holland PA 18966  
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 23 2005

FOR OFFICIAL USE ONLY  
THOMSON FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2)

SEC 1410 (3-91)

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19

Handwritten initials and scribbles

OATH OR AFFIRMATION

I, Lee Argush, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of The Concord Equity Group, L.L.C., as of

December 31, 192004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Lee Argush  
Signature

Financial Principal

Title

Lauren M. Scarano  
Notary Public

LAUREN M. SCARANO  
NOTARY PUBLIC OF NEW JERSEY  
Commission Expires 4/5/2007

Sworn to and subscribed  
before me this  
28 day of FEB, 2005

This report\*\* contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent Auditor's Report on Internal Accounting Control Structure  
Required by SEC Rule 17A-5.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**THE CONCORD EQUITY GROUP, L.L.C.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

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***INDEPENDENT AUDITOR'S REPORT***

To the Board of Directors  
The Concord Equity Group, L.L.C.  
Matawan, New Jersey

I have audited the accompanying statement of financial condition of The Concord Equity Group, L.L.C. (a Pennsylvania limited liability company) as of December 31, 2004, and the related statements of operations and changes in members' equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Concord Equity Group, L.L.C. at December 31, 2004, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



February 17, 2005

**THE CONCORD EQUITY GROUP, L.L.C.**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2004**

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**ASSETS**

Cash and cash equivalents	\$ 445,752
Funds held in accounts with clearing broker	105,328
Receivables from broker-dealers	29,251
Receivable from clearing broker	195,850
Securities owned	505
Employee advances	800
Deposit	<u>393</u>
	\$ <u>777,879</u>

**LIABILITIES AND MEMBERS' EQUITY**

Commissions payable	\$ 261,998
Accounts payable and accrued expenses	110,412
Deferred income (Note 5)	<u>155,882</u>
Total liabilities	528,292
Members' equity	<u>249,587</u>
	\$ <u>777,879</u>

The accompanying notes are an integral part of these financial statements.

*THE CONCORD EQUITY GROUP, L.L.C.*

*STATEMENT OF OPERATIONS AND MEMBERS' EQUITY*

*FOR THE YEAR ENDED DECEMBER 31, 2004*

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**REVENUE**

Commission income	\$4,369,959
Other income	2,655,160
Interest income	<u>208,064</u>

Total revenue 7,233,183

**EXPENSES**

Commission expense	4,029,695
Communication expense	52,382
Regulatory fees and expenses	87,021
Employee compensation and benefits	1,988,534
Clearing and execution expense	251,555
Other operating expenses	<u>865,692</u>

Total expenses 7,274,879

Net loss (41,696)

**MEMBERS' EQUITY, beginning of year** 191,283

**CAPITAL CONTRIBUTIONS BY MEMBER** 100,000

**MEMBERS' EQUITY, end of year** \$ 249,587

The accompanying notes are an integral part of these financial statements.

*THE CONCORD EQUITY GROUP, L.L.C.*

*STATEMENT OF CASH FLOWS*

*FOR THE YEAR ENDED DECEMBER 31, 2004*

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Net loss	\$ (41,696)
Adjustments to reconcile net loss to cash provided by operating activities:	
Depreciation	165
(Increase) decrease in	
Funds held in accounts with clearing broker	4,427
Receivable from clearing broker	(4,790)
Receivables from other broker-dealers	19,417
Employee loans	250
Securities owned	(244)
Deposit	334
Increase (decrease) in	
Accounts payable and accrued expenses	(111,308)
Deferred revenue	(52,451)
Commissions payable	(451,123)
Cash used by operating activities	<u>(637,019)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Capital contributions by member	<u>100,000</u>
Cash provided by financing activities	<u>100,000</u>
Decrease in cash	(537,019)
<b>CASH BALANCE, beginning of year</b>	<u>982,771</u>
<b>CASH BALANCE, end of year</b>	<u>\$445,752</u>

The accompanying notes are an integral part of these financial statements.

**THE CONCORD EQUITY GROUP, L.L.C.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

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**(1) ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

Organization

The Concord Equity Group, L.L.C. was organized on September 22, 1997 in the Commonwealth of Pennsylvania as a Limited Liability Company for the purpose of acting as a broker-dealer. The Company is a continuation of Fidelity Federal Brokerage Corporation, (a Pennsylvania corporation) trading as The Concord Equity Group which was incorporated on June 10, 1975. As a limited liability company, members' liability is limited.

Prior to November 4, 2004, the members of the Company included American Capital Acquisition Partners, LLC (ACAP) that had a 91% interest in the company and the three individual members of ACAP, who each had a 3% interest in the Company. On November 4, 2004, the ownership was restructured such that the members included ACAP, with an 80% ownership interest and Washington Associates 205, LLC, with a 20% ownership interest. Washington Associates 205, LLC is an entity affiliated with and under the common control of Spencer Trask and Co.

The Company uses a clearing broker-dealer for all customer transactions.

Significant Accounting Policies

Basis of Presentation

The Company maintains its books and records on the accrual basis of accounting.

Revenue Recognition

The company records customers' securities transactions when the transactions are traded (trade date basis).

Cash

For purposes of the statement of cash flows, the Company includes as cash amounts on deposit at banks. The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Furniture and Equipment

Furniture and equipment are recorded at cost. Depreciation is computed using the straight-line method based on an estimated life of five years. For 2004, depreciation expense was \$165.

**THE CONCORD EQUITY GROUP, L.L.C.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

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**(1) ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expense during the reported period. Actual results could differ from those estimates.

**(2) NET CAPITAL REQUIREMENT**

Pursuant to the Net Capital Provision of Rule 15c3-1 of the Securities and Exchange Act of 1934, the Company is required to maintain a minimum "net capital," as defined under such provisions. The rule requires that "aggregate indebtedness," as defined, shall not exceed fifteen times "net capital," as defined, and that minimum "net capital" must be at least the greater of 6 2/3% of aggregate indebtedness or \$50,000. At December 31, 2004 the Company had net capital of \$224,518, which was \$174,518 in excess of its minimum net capital requirement of \$50,000. The Company's net capital ratio was 2.35 to 1.

**(3) INCOME TAXES**

As a limited liability company, the company does not pay federal or state taxes on its taxable income. Instead, the members are liable for federal and state taxes on the Company's taxable income.

**(4) RELATED PARTY TRANSACTIONS**

The majority member of the Company is American Capital Acquisition Partners, L.L.C.(ACAP). Concord Equity Group, L.L.C. and American Capital Acquisition Partners, L.L.C. are under common control. The Company utilizes office space under an office sharing arrangement with ACAP and pays to ACAP the cost of the utilities, technology and telecommunications of the office. In 2004 these payments totaled \$269,885. There was an outstanding balance due to ACAP as of December 31, 2004 of \$24,227.

In addition, the Company had financial transactions in 2004 with two subsidiary organizations of American Capital Acquisition Partners, L.L.C. as follows:

The Company received fees for services from Concord Agency Services, L.L.C. whose sole member is ACAP, totaling \$64,680. Concord Agency Services, L.L.C. sells insurance products and all compensation to agents and registered representatives is handled by Concord Equity Group, L.L.C. Fees are paid to the Company to offset compensation and related administrative costs.

**THE CONCORD EQUITY GROUP, L.L.C.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

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**(4) RELATED PARTY TRANSACTIONS (CONTINUED)**

The Company received fees from Concord Equity Group Advisors, L.L.C., whose sole member is ACAP, totaling \$549,882. Concord Equity Group Advisors, L.L.C. provides investment management services and all compensation to registered representatives is handled by Concord Equity Group, L.L.C. Fees are paid to the Company to offset compensation and related administrative costs.

**(5) DEFERRED INCOME**

In 2003 the Company received a payment of \$250,000 from the Bank of New York, which is the parent company of its clearing broker, Pershing. The payment was made as an inducement to continue utilizing the services of Pershing, Inc. for four years. The payment was made with the stipulation that it would be refunded on a pro-rata basis if the Company were to cancel its agreement for clearing services prior to April 2007. The balance of deferred income represents the portion of the payment received from Bank of New York for which the Company was contingently liable at December 31, 2004.

**(6) SPECIAL ACCOUNT FOR EXCLUSIVE BENEFIT OF CUSTOMERS**

The Company is exempt from the provisions of Rule 15c3-3 of the Securities and Exchange Act of 1934 and therefore, among other things, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers," since it meets the requirement of Rule 15c3-3(k)(2)(a) and does not carry security accounts for customers or perform custodial functions relating to customer securities.

**(7) CONCENTRATION OF CREDIT RISK**

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event that counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the company's policy to review, as necessary, the credit standing of each counterparty.

The Company at times during operations has cash deposits which exceed \$100,000. The Federal Deposit Insurance Corporation (FDIC) insures only the first \$100,000 of funds on deposit. The amounts on deposit at December 31, 2004 on one of the Company's bank accounts was \$216,056 which was in excess of the amounts insured by the Federal Deposit Insurance Corporation by \$116,056.

**THE CONCORD EQUITY GROUP, L.L.C.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

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**(8) EMPLOYEE BENEFIT PLANS**

The Company maintains a retirement plan under Section 401(k) of the internal revenue code. The plan permits employees of age 18 and over with three months of employment to participate in the plan. The plan permits tax-deferred contributions to the plan by salary reductions up to the lesser of 15% of compensation or the applicable limit established by the Internal Revenue Service. The Company may make discretionary contributions to the plan and may make discretionary profit sharing plan contributions on behalf of each employee who completed 1000 hours of service. No employer contributions were made in 2004.

In addition, the Company maintains a benefit plan under Section 125 of the Internal Revenue Service.

**(9) LITIGATION**

The Company is involved in a legal action arising in the ordinary course of business. Management and counsel believe that the Company has adequate defenses with respect to the action and does not expect that the outcome will materially affect the Company's results of operations or financial position.

**(10) SALE OF EQUITY**

American Capital Acquisition Partners, LLC, has entered into an agreement to sell its equity interest in the Company to Washington Associates 205, LLC.

*THE CONCORD EQUITY GROUP, L.L.C.**COMPUTATION OF NET CAPITAL REQUIRED AND AGGREGATE INDEBTEDNESS**UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION**DECEMBER 31, 2004***NET CAPITAL**

Total members' equity qualified for net capital		\$249,587
Deductions and/or charges		
Insurance deductible		(19,000)
Nonallowable assets:		
Receivables	\$ 4,800	
Employee advances	800	
Deposit	<u>393</u>	
Total nonallowable assets		<u>(5,993)</u>
Net capital before haircut		224,594
Haircut on securities		<u>(76)</u>
Net capital		<u>\$224,518</u>

**AGGREGATE INDEBTEDNESS**

Items included in statement of financial condition		
Commissions payable		\$ 261,998
Accounts payable to related party		110,412
Deferred revenue		<u>155,882</u>
Total aggregate indebtedness		<u>\$ 528,292</u>

**THE CONCORD EQUITY GROUP, L.L.C.****COMPUTATION OF NET CAPITAL REQUIRED AND AGGREGATE INDEBTEDNESS****UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION****DECEMBER 31, 2004**  

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**COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS**

Minimum net capital required or \$50,000 if greater	\$ <u>50,000</u>
Excess net capital at 1500%	\$ <u>174,518</u>
Excess net capital at 1000%	\$ <u>171,689</u>
Ratio: aggregate indebtedness to net capital	<u>2.35 to 1</u>

**RECONCILIATION WITH COMPANY'S COMPUTATION**

(Included in Part IIA of Form X-17A-5 as of December 31, 2004)

Net capital, as reported in company's Part IIA (Unaudited) FOCUS Report	\$224,594
Haircut recorded	<u>(76)</u>
Net capital as reported herein	\$ <u>224,518</u>

*THE CONCORD EQUITY GROUP, L.L.C.*  
*COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS*  
*UNDER RULE 15c3-3 OF THE*  
*SECURITIES AND EXCHANGE COMMISSION*  
*FOR THE YEAR ENDED DECEMBER 31, 2004*

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The Concord Equity Group, L.L.C. claims an exemption from Rule 15c3-3 based on Section 15c3-3(k)(2)(ii) who, as an introducing broker or dealer, clears all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer, and who promptly transmits all customers' funds and securities to the clearing broker or dealer which carries all of the accounts of such customers and maintains and preserves such books and records pertaining thereto pursuant to the requirements of Rules 17a-3 and 17a-4, as are customarily made and kept by a clearing broker or dealer. The clearing broker is Pershing, a BNY Securities Group Company.

*INFORMATION RELATING TO POSSESSION*  
*OR CONTROL REQUIREMENTS*  
*UNDER RULE 15c3-3 OF THE*  
*SECURITIES AND EXCHANGE COMMISSION*  
*FOR THE YEAR ENDED DECEMBER 31, 2004*

The Concord Equity Group, L.L.C. claims an exemption from Rule 15c3-3 based on Section 15c3-3(k)(2)(ii) who as an introducing broker or dealer, clears all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer, or who promptly transmits all customer funds and securities to the clearing broker or dealer, which carries all of the accounts of such customers and maintains and preserves such books and records pertaining thereto pursuant to the requirements of Rule 17a-3 and 17a-4, as are customarily made and kept by a clearing broker or dealer.

# JAMES G. PIROLI

CERTIFIED PUBLIC ACCOUNTANT

TEL (215) 364-8016

FAX (215) 364-6381

207 BUCK ROAD • SUITE 1C  
HOLLAND, PENNSYLVANIA 18966

## *INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL*

### *STRUCTURE REQUIRED BY SEC RULE 17A-5*

To the Board of Directors  
The Concord Equity Group, L.L.C.  
Matawan, New Jersey

In planning and performing my audit of the financial statements and supplemental schedules of Concord Equity Group, L.L.C. (the Company) for the year ended December 31, 2004, I considered its internal control, including control activities for safeguarding securities, in order to determine my auditing procedures for the purposes of expressing my opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17-a-5 (g)(1) of the Securities and Exchange Commission (SEC), I made a study of the practices and procedures that I considered relevant to the objectives stated in the rule 17-a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, I did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of difference required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of the Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining a system of internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

My consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted no matters involving internal control, including control activities for safeguarding securities, that I consider to be material weaknesses as defined above.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purpose in accordance with the Securities and Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on my study, I believe that the Company's practices and procedures were adequate at December 31, 2004, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, and other regulatory agencies that rely on Rule 17-a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "James G. Guller".

February 17, 2005